



KERING



# *letter*

TO SHAREHOLDERS

MARCH 2019

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THE CHAIRMAN AND CEO**

"2018 was  
an excellent year."

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## MESSAGE FROM THE CHAIRMAN AND CEO



MARCH 2019

2018 was an excellent year for Kering and its Houses. In a generally favorable environment, the Group's revenue soared 29.4% on a comparable basis to €13.7 billion, year on year. Our Houses generated over €2.8 billion in purely organic revenue growth in a single year, while our recurring operating income jumped nearly 47% to more than €3.9 billion. Thanks to this healthy, balanced growth, Kering has a very solid foundation on which to build its future.

These outstanding results reflect our strategic decisions. In an increasingly fast-paced world, where a new generation of consumers means new customer expectations, Kering is crafting tomorrow's Luxury. Our vision is to embrace creativity for a modern, bold vision of Luxury, based on a multi-brand model that favors a long-term approach and creative autonomy for the Group's Houses. This will enable us to implement our ambitious strategy to harness the full growth potential of Luxury, drawing on the organic growth of our Houses and on ever deepening synergies and integration. Once again, in 2018, the skillful execution of our strategy was borne out by this exceptional performance. I would like to pay tribute to the Group's 35,000 employees, without whom this success would not have been possible.

We would like to thank you, our shareholders, for your continued trust and loyalty.

**François-Henri Pinault**

## 2018 ANNUAL RESULTS

### 2018 KEY FIGURES

Revenue

**€13.7 bn**

up 26.3% reported  
up 29.4% comparable (constant scope and exchange rate)<sup>(1)</sup>

Recurring operating income

**€3.9 bn**

up 46.6% reported

Recurring operating margin

**28.9%**

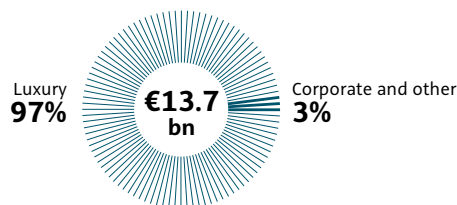
Net income attributable to owners of the parent

**€3.7 bn**

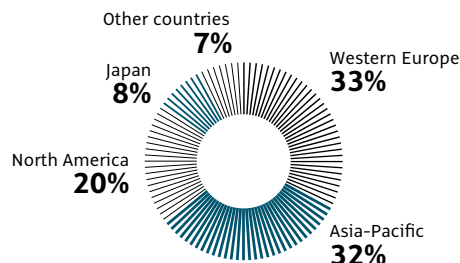
up 108.1% reported

(1) 2017 data has been restated to reflect discontinued operations (PUMA, Volcom, Stella McCartney and Christopher Kane).

### BREAKDOWN OF REVENUE FROM CONTINUING OPERATIONS



### BREAKDOWN OF REVENUE BY REGION



In 2018, Kering generated **revenue of nearly €13.7 billion**, remaining well balanced in geographical terms with strong growth in all regions. Sales were up 38% in North America, 34% in Asia-Pacific, and 24% in both Japan and Western Europe (comparable).

**Recurring operating income** climbed a **record** 46.6% year on year to €3.9 billion, and has nearly doubled in the last two years.

**Recurring operating margin** came to 28.9%, up 400 basis points on 2017.

**Net income attributable to owners of the parent** jumped 108.1% to €3.7 billion.

The generation of **free cash flow from operations** was substantial, advancing 34.0% to nearly €3.0 billion.

**Consolidated net debt was reduced by half** compared with restated figures for 2017, ending 2018 at just over €1.7 billion. This achievement was driven by strong cash flow generation, even as the Group remained committed to its policy of investing and of returning profit to shareholders.

At the forthcoming Annual General Meeting of April 24, 2019, shareholders will be asked to approve a cash **dividend** for 2018 of €10.50 per share, up 75% year on year.

## Analysis of the results

**K**ering's Houses delivered exceptional 29.1% comparable revenue growth in 2018 at €13.2 billion (up 26.0% as reported), **significantly outpacing their market once again**. This brisk growth was fueled by a 31.0% increase in sales made through directly operated stores, which account for over 77% of revenue and **topped the €10 billion mark for the first time**.

Recurring operating income for Kering's Houses was 44.8% higher as reported at **€4.2 billion**, while the recurring operating margin widened 410 basis points year on year to 31.6%.

Revenue **€13.2 bn**      Recurring operating income **€4.2 bn**

### Gucci



Gucci's revenue **topped €8 billion**, rising 33.4% as reported and 36.9% on a comparable basis to €8.3 billion. This excellent performance, in line with the prior year, reflects healthy and balanced growth

in all regions, product categories and client segments. The House's recurring operating income totaled €3.3 billion, up 54%.

### Saint Laurent



Saint Laurent turned in another **remarkable performance**, thanks to strict and effective execution of its strategy, with revenue of more than €1.7 billion. Sales for the House rose 18.7% on a comparable

basis and 16.1% as reported, and recurring operating income advanced 22% to nearly €460 million.

### Bottega Veneta



Bottega Veneta's revenue in 2018, a year shaped by the **change in Creative Director**, was down 3.4% on a comparable basis and 5.7% as reported. Recurring operating income totaled €242 million. The response to the 2019 Pre-Fall collection unveiled to the press and to buyers late in the year was very encouraging. This initial stage in Bottega Veneta's transition was followed by Daniel Lee's first show during Milan Fashion

Week at the end of February 2019.

### Other Houses

Revenue from the Other Houses passed the €2 billion mark, rising 29.8% as reported and 32.1% on a comparable basis to €2.1 billion. This remarkable performance was led by Couture and Leather Goods, with strong momentum from Balenciaga and Alexander McQueen, while Watches and Jewelry also posted solid revenue growth. Recurring operating income more than doubled year on year, totaling €215 million.

### Corporate and other

The segment delivered strong comparable growth in revenue, up 42.1% to €418.5 million, powered by a robust showing from Kering Eyewear, whose sales were driven by Gucci's collections and the successful launch of the Maison Cartier collection.

Positioned in structurally high-growth markets, **Kering enjoys very solid fundamentals** and a balanced portfolio of complementary, high-potential brands with clearly focused priorities.

The Group is continuing to implement its strategy focused on achieving same-store revenue growth while ensuring a targeted and selective expansion of the store network in order to strengthen its Houses' operating margins for the long term.

## Dividend per share



At the Annual General Meeting to be held on April 24, 2019, the Board of Directors will ask shareholders to approve a dividend of **€10.50** per share for 2018, **up 75%** year on year.

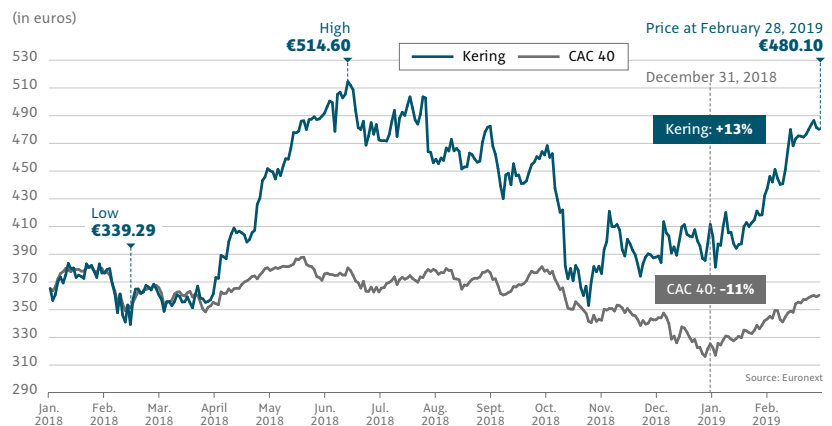
An interim cash dividend of €3.50 per share was paid on January 17, 2019. Subject to shareholder approval, the balance of €7.00 per share will be paid on May 6, 2019.

\*Subject to the approval of the Annual General Meeting to be held on April 24, 2019.

## Kering share

### PERFORMANCE OF THE KERING SHARE

Change in the price of the Kering share compared to the CAC 40 (rebased) from January 1, 2018 to February 28, 2019



**MARKET CAPITALIZATION**  
as of December 31, 2018  
**€52.0 bn**

**HIGHEST SHARE PRICE**  
between January 1 and  
December 31, 2018  
**€514.60**

**LOWEST SHARE PRICE**  
between January 1 and  
December 31, 2018  
**€339.29**

# SIHH 2019

In January 2019, two of Kering's brands were among the 35 high-end representatives from the world of Haute Horlogerie present at the *Salon International de la Haute Horlogerie* (SIHH) in Geneva.

**U**lysse Nardin's space at SIHH 2019 resolutely confirmed the brand's disruptive nature. In the entrance, a lounge area framed a screen on the floor, where a shark surprised visitors by appearing at their feet. The back wall featured another of these majestic creatures, displayed as an X ray image, and the side wall was illuminated by a massive "X", evoking the brand's X factor theme selected for 2019. The "Hot Horlogerie" room next door was dedicated to the works created for Ulysse Nardin by Italian comic book artist Milo Manara. The X replacing the door handle warned visitors that they were about to enter an unknown realm. The brand's disruptive nature was also evident in its timepieces. The *FREAK* collection is a perfect example of how Ulysse Nardin flies in the face of convention. By doing away with dials and hands and using the movement itself to indicate the time, these models are the epitome of watchmaking innovation.

Ulysse Nardin is taking its collections a step further, by introducing the X factor: X for Xploration, Xtraordinary, Xcessive, Xperience, Xtreme and complexX. The *FREAK X* and *SKELETON X* have been X-rayed: one has no dial, while the other displays its inner workings in a skeleton-style frame, taking watch design back to the bare bones.

Function dictates design for the technically complex *FREAK X*, which features a brand-new flying carousel movement rotating around its own axis. For the *SKELETON X*, however, design defines function. The focus here is on skeletonization and on the fusion of gold with the new, high-performance material Carbonium.

Ulysse Nardin was extremely well received at SIHH 2019. The brand is moving forward, embracing modernity, becoming more assertive, and eXploring new horizons.



-1

-2

1- FREAK X.  
2- SKELETON X.





GP  
GIRARD-PERREGAUX  
HAUTE HORLOGERIE SUISSE DEPUIS 1791

Under the management of its new Chief Executive Officer, Patrick Pruniaux, Girard-Perregaux started the year by unveiling a new collection of exceptional timepieces that are both classic and contemporary, inspired by the theme “Earth to Sky”. To embody the perpetual commitment to perfection that characterizes its watches, in 2019 the watchmaker is exploring the cosmos, the very essence of time. It is therefore introducing a new universe of innovative materials and unexpected complications within its fundamental collections, united by a single theme: “Earth to Sky”.

During SIHH 2019, the brand invited journalists, retailers and visitors to immerse themselves in its new universe. At its stand dominated by elegant shades of blue and black, Girard-Perregaux unveiled its latest creations in innovative display cases resembling crystals suspended between earth and sky.

Over the four days, more than 1,000 journalists from around the globe attended the 25 press conferences held by Girard-Perregaux. In addition, more than 400 sales meetings at various trade events have enabled the brand to strengthen its presence in existing markets and seize new opportunities in uncharted territory. The success of its collections,

which include three new *Laureato Absolute* models, and the results of the brand’s Haute Horlogerie innovations, taking the form of ultra-complicated watches, confirm Girard-Perregaux’s status as a luxury watchmaker.

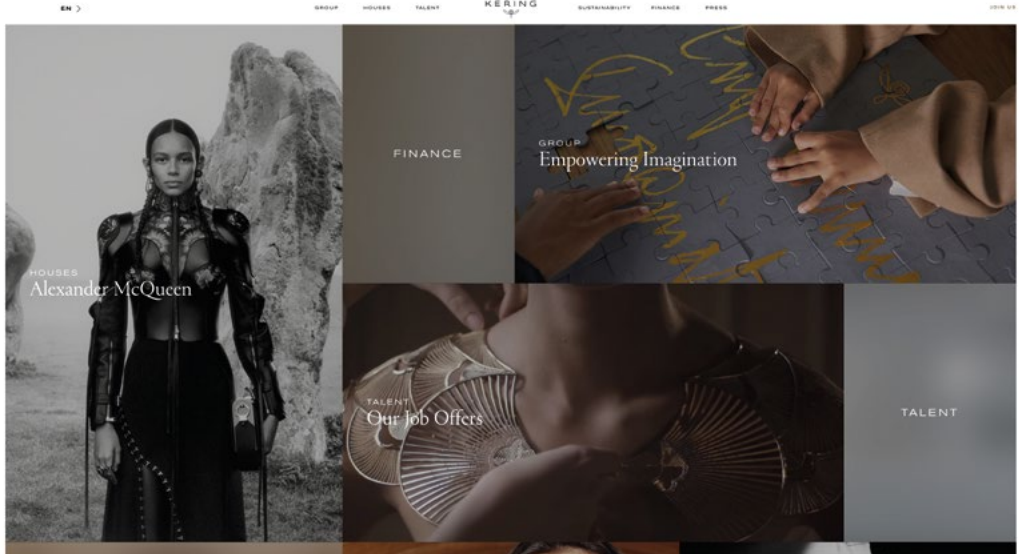
#### Cosmos

The centerpiece of the “Earth to Sky” theme presented by Girard-Perregaux in 2019, this watch – with tourbillon, sky chart and world time complications – is composed of mechanical particles and poetic paradoxes. It establishes an unprecedented dialogue between earth and sky, between matter and space, between the visible and the invisible.

Two complete globes – celestial and terrestrial – serve to mirror a fusalional moment that we experience with the cosmos. The signs of the zodiac pass through this miniature firmament, gradually revealing an unknown world, as the earth rotates each day. Like the sky, the watch has two faces: day and night.

Loyal to the refinement that characterizes those who appreciate invisible esthetics, Cosmos reveals finishes of a previously unknown beauty. Inside, setting Cosmos into orbit, beats the brand-new movement, caliber GP09320-1098. In the absence of a crown, the time and other settings are manually adjusted on the back of this stellar creation.





## A NEW WEBSITE FOR KERING



**K**ering unveiled its new corporate website in February 2019. Designed to serve as a fully fledged digital showroom for the Group, the new site highlights the creativity that is central to Kering's business model.

True to its primary purpose, the website brings together all of Kering's news and resources in a stylized setting. It covers such topics as strategy and governance, the Group's history and Houses, financial information, sustainability, Kering's commitment to gender equality, and cultural projects. It also includes a press corner and a talent section that centralizes all the jobs available within the Group and its Houses.

As with the previous website, all of the information addressed to shareholders is provided in a dedicated space, in the Finance section.

In the Houses pages, the emphasis on images and videos from the latest campaigns creates an immersive experience of Kering's brands. This is further enhanced by the integration of the brands' Instagram feeds, which are updated in real time.

To mark the occasion, Kering also launched a new corporate video, inspired by the Group's signature "Empowering Imagination". The video shows daily life at Kering through the eyes of children, because who better than a child to capture the spirit of imagination and curiosity that lies at the heart of the Group's culture?

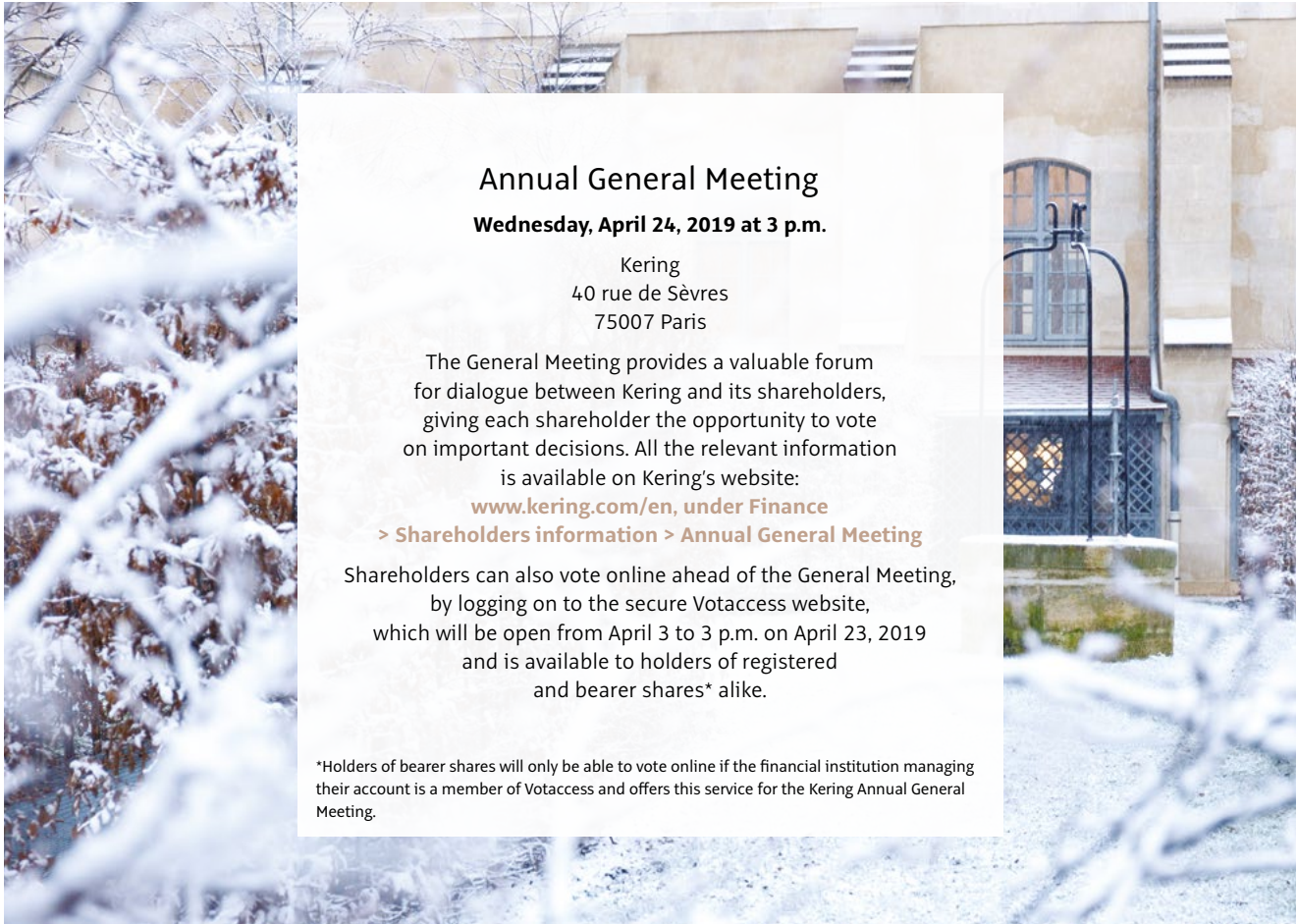
BOTTEGA VENETA

## WOMEN'S AND MEN'S FALL 2019

**O**n February 22, Bottega Veneta presented its Women's and Men's Fall 2019 at the Arco della Pace in Milan. The collection is a celebration of freedom, self-expression and sensuality. Creative Director Daniel Lee's first runway show for the House is an exercise in elevated detail, noble materials and energetic silhouette.



## SHAREHOLDERS' NOTEBOOK



### Annual General Meeting

**Wednesday, April 24, 2019 at 3 p.m.**

Kering  
40 rue de Sèvres  
75007 Paris

The General Meeting provides a valuable forum for dialogue between Kering and its shareholders, giving each shareholder the opportunity to vote on important decisions. All the relevant information is available on Kering's website:

[www.kering.com/en](http://www.kering.com/en), under **Finance**

> **Shareholders information** > **Annual General Meeting**

Shareholders can also vote online ahead of the General Meeting, by logging on to the secure Votaccess website, which will be open from April 3 to 3 p.m. on April 23, 2019 and is available to holders of registered and bearer shares\* alike.

\*Holders of bearer shares will only be able to vote online if the financial institution managing their account is a member of Votaccess and offers this service for the Kering Annual General Meeting.

### Contact information

For all requests regarding the management of shares held in direct registered form,\* CACEIS is your point of contact.

#### **CACEIS Corporate Trust**

14 rue Rouget de Lisle  
92862 Issy-les-Moulineaux, Cedex 9  
France  
Phone: +33 (0)1 57 78 34 44  
Fax: +33 (0)1 57 78 32 19  
E-mail: [ct-contact@caceis.com](mailto:ct-contact@caceis.com)

NB: the trade order form is available for download at [www.kering.com/en](http://www.kering.com/en) (Finance/Shareholders information section).

\* If you own administered registered shares, the financial intermediary who manages your account remains your point of contact.

For any other queries, please contact:

#### **Kering's Investor Relations department**

Kering  
Kering Financial department  
40 rue de Sèvres  
75007 Paris  
France  
Phone: +33 (0)1 45 64 65 64  
E-mail: [actionnaire@kering.com](mailto:actionnaire@kering.com)

### Provisional calendar

#### **Wednesday, April 17, 2019**

First-quarter 2019 revenue

#### **Wednesday, April 24, 2019**

Annual General Meeting

#### **Monday, May 6, 2019**

Payment of final dividend\*

#### **July 2019**

First-half 2019 results

\*Ex-dividend date: May 2, 2019.

### GENERAL DATA PROTECTION REGULATION

In accordance with France's data protection law (*Informatique et Libertés*) of January 6, 1978 (as amended) and the EU General Data Protection Regulation of April 27, 2016, you have the right to access, rectify and erase your personal data, and to restrict or object to the processing of that data, as well as the right to data portability, under the conditions set forth in the applicable legislation. To exercise your rights, please contact us at the following address: [actionnaire@kering.com](mailto:actionnaire@kering.com).

For more information, please consult our Privacy Policy at <https://www.kering.com/en/legals/>.

Should you no longer wish to receive Kering's Letter to Shareholders, please contact us by post or email (see "Contact information" details above).

**Kering** – Société anonyme (a French corporation) with a share capital of €505,117,288  
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